



California Public Utilities Commission  
Internal Audit Unit Third Follow-up Report –  
Motor Pool

April 26, 2017



April 26, 2017  
Finance and Administration Committee  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

California Public Utilities Commission Internal Audit (IA) Third Follow-up Audit of the Motor Pool

Dear President Picker:

The Internal Audit Unit of the California Public Utilities Commission (CPUC) has completed its third follow-up review of the CPUC's motor pool as of November 2016. Our audit was conducted using the Institute of Internal Auditing's International Professional Standards for the Practice of Internal Auditing. We are providing this final report on the final round of follow-up testing at the request of the Commissioners.

The enclosed report is for your information and use. The findings and recommendations in our report are intended to assist management in improving the effectiveness and efficiency of motor pool operations. Administrative Services, Consumer Protection and Enforcement, and the Safety and Enforcement Divisions responded to our findings, and their responses are attached in Appendix A.

We appreciated the assistance and cooperation of agency management in the conduct of this audit. If you have any questions regarding this report, please feel free to contact me at 415-703-1823 or [CRD@cpuc.ca.gov](mailto:CRD@cpuc.ca.gov).

Sincerely,  
Carl Danner  
Chief Internal Auditor, California Public Utilities Commission

Enclosure

cc: Commissioners  
Ryan Dulin, Deputy Executive Director  
Arocles Aguilar, General Counsel  
Elizaveta Malashenko, Director – Safety and Enforcement Division  
Nick Zanjani, Director – Consumer Protection and Enforcement Division

**MEMBERS OF THE AUDIT TEAM**

Carl Danner – Chief Internal Auditor  
Benjamin Schein, CPA – Auditor in Charge

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## Executive Summary

The Internal Audit (IA) Unit performed follow-up testing of the motor pool and supporting functions within the CPUC's Administrative Services (AS), Consumer Protection and Enforcement (CPED), and Safety and Enforcement Division (SED).

IA completed its initial Motor Pool Audit in January 2015, and a follow-up audit in June 2016. In response to the follow-up audit, IA and CPUC management agreed on a corrective action plan (CAP) to rectify the fundamental management shortcomings and safety concerns identified in both instances. Results from a second follow-up engagement were presented in November 2016.

To help evaluate the effectiveness of the CAP, this third follow-up report addresses testing as follows:

- A review of documentation for additions and removals of vehicles from the CPUC motor pool inventory.
- A review of the CPUC's motor pool maintenance tracking system, including documentation management.
- A review of enforcement of the state's training requirement, including Defensive Driver Training and the proper use of the Voyager card.
- A review of updated policies and procedures put into place.

Overall, we found major improvements in the documentation and processes conducted by agency fleet management. Vehicle inventory tracking is accurate, and there is now a system in place to provide assurance that training requirements are being met. While there is some room for improvement in meeting Department of General Services (DGS) standards for vehicle maintenance, overall the fleet vehicles are being serviced on a regular basis and records are being properly maintained. Supervisorial review of Voyager card invoices could be improved in some areas; however, relatively few exceptions to DGS policy for the use of the cards were found in testing. Policy and procedure manuals are well written, but are pending final approval, distribution, and enforcement.

The issues in this report are based on fieldwork performed in November 2016 through February 2017. We took opportunities to discuss our evidence and analysis with the related divisions, units, and management throughout our fieldwork.

This report is intended for the information and use of the Commission and is not intended for use by anyone other than the specified parties. However, this limitation is not intended to restrict the distribution of this report as a matter of public record.

## Background

In January 2015, IA completed a Motor Pool Audit that found fundamental safety-related shortcomings with the condition of the vehicles themselves, and the manner in which they were maintained, repaired, and managed. Currently, the CPUC fleet includes 117 vehicles based in San Francisco, Sacramento and Los Angeles, and also used by field personnel throughout the state.

A follow-up audit engagement was conducted to test the status of changes made to the motor pool, and a report was presented to the Commission in June 2016. The follow-up audit engagement determined that many of the problems uncovered in the original audit had not been addressed. The second follow-up audit tested compliance with a first group of recommendations made in the follow-up audit. It was presented to the Commission in November 2016.

This report represents the second of two subsequent follow-up engagements (third overall follow-up audit) to test the effectiveness of the measures taken by management under its Corrective Action Plan (CAP) provided in response to the follow-up audit engagement presented to the Commission on June 8, 2016.

## Objective

Consistent with prior audit findings and risks regarding the CPUC's motor pool, the objective was to test for the efficacy of certain corrective actions taken by management to achieve a safe and well-managed motor pool operation.

## Scope

The scope of our audit was the inventory of vehicles maintained by the CPUC as of August 2016; processes and procedures implemented by AS, CPED, and SED management for the maintenance of these vehicles; and the record-keeping for the CPUC's vehicle fleet as of the end of the fieldwork from the follow-up engagement (February 2017).

## Methodology and Testing

To determine the compliance with certain findings and recommendations from the original audit, IA completed the following:

- Requested an updated copy of the vehicle inventory,

- Tested and documented the policies and procedures for transferring vehicles between DGS and the CPUC,
- Reviewed the agency's practices for tracking vehicle maintenance, and determined if it is being performed in accordance with DGS standards,
- Reviewed the status of compliance with state training requirements,
- Reviewed policies and procedures for the use of Voyager cards, including review and payment of invoices,
- Reviewed fleet management policy and procedure documents for adequacy.

## Analysis and Recommendations – Inventory Changes

In the previous motor pool audits, we had noted that vehicles were added to inventory (or removed from inventory) without any form of inventory control. We had little assurance that vehicles received from DGS were properly listed in our motor pool inventory (which also had numerous problems documented in prior audits), or that vehicles returned to DGS were properly accounted for.

The CPUC motor pool inventory is required to be coordinated with DGS, however the business services audit conducted by DGS (June 2016) noted that the CPUC is not “updating fleet asset information into DGS’ Fleet Asset Management System on a monthly basis”. This leads to a control risk that state assets are not being accounted for correctly.

During our testing we determined that the CPUC vehicle inventory has improved to the point where IA has confidence in its accuracy and usefulness as a tracking tool. The current version is a collaborative effort between AS, SED, and CPED. The spreadsheet lists all vehicles accurately, including:

- Assigned Driver or “Pool Vehicle” with the name of the responsible party,
- Supervisor of the person responsible for the vehicle,
- Vehicle Information (license plate number, make/model/year/VIN,
- Status of Forms, such as the OFA 50-G
- Mileage (last reported and at last service), with a formula to show if service is pending (greater than 5,000 difference)
- Date of Last Service, or if the vehicle is grounded pending service

According to DGS, there is no “check-out” type documentation when a vehicle is transferred / leased to state agencies such as the CPUC. An email from DGS Fleet Services was provided, clarifying that the form (STD 152) to survey the vehicle out for auction is not provided to the state agency that formally leased the vehicle.

Admin Services (AS) is required fill out STD 50-G forms when it receives new vehicles from DGS. These forms are filled out showing the AS Fleet Coordinator as the assigned driver / responsible party. When the vehicle is assigned to a permanent driver, another 50-G form is filled out updating the driver contact information and is submitted to DGS.

Given that DGS does not have a vehicle tracking system, IA does not see any need for additional changes beyond what the agency is already doing. The inventory is being kept current, and vehicles noted as having been returned to DGS subsequent to the follow-up audit conducted by IA (June 2016) were confirmed as returned by DGS staff. New vehicles are added to the inventory promptly, and the 50-G form listing assigned drivers are handled appropriately. All the problems noted in the inventory during prior motor pool audits have been resolved.

Findings:

- None.

Recommendations:

- None.

## Analysis and Recommendations – Maintenance Tracking

The June, 2016 Motor Pool Follow-up Audit Report noted concerns about the tracking of maintenance performed on vehicles. DGS has standards that include multi-point inspections. Prior audit evidence showed that maintenance record-keeping had been lax, that in many cases maintenance had not been performed in accordance with DGS standards. In addition, some vehicles were unsafe to operate or were at risk of becoming so.

As part of this follow-up audit, we sought to obtain an understanding of the current system for tracking maintenance performed by the three divisions, AS, CPED, and SED.

IA sought assurance that some form of the “three lines of defense” approach to management and assurance was being conducted in a reasonable manner. The first line of defense involves appropriate procedures and knowledge on the part of staff directly responsible for the vehicles to ensure that regular DGS-mandated (and manufacturer-recommended) checks are being performed on schedule. Ideally there should be some review of the resulting invoice (in case the mechanic noted a serious maintenance concern), and some follow-up conducted by staff, if needed. The invoice should then be submitted to the division liaison.

The second level of defense involves procedures by which management regularly monitors or verifies that the working-level controls are functioning appropriately. Given the approach management adopted, this would involve a division liaison reviewing mileage to ensure the vehicles are being serviced promptly, and reviewing the invoices to ensure the proper work is being conducted. The liaison would communicate compliance to management, and to the drivers or other staff (e.g. for pool vehicles) for



any follow-up needed. The third line of defense involves audits to verify the integrity of the first two lines of defense.

IA reviewed the current systems in place. For the most part, drivers are now taking vehicles in for regular maintenance, and submitting the invoices to their division liaison. And there is a working process by which management (usually through a support staff-person) monitors mileage as a means to provide assurance that vehicles are being taken in for maintenance every 5-6,000 miles (as required by DGS).

Another improvement is the master vehicle inventory spreadsheet now used for vehicle maintenance tracking. It has a conditional formula that shows if a vehicle is close to the point where maintenance is required, and if the vehicle goes over the limit (based on the number of miles since the last recorded maintenance). Mileage is required to be submitted to DGS, with the understanding that if mileage is not reported, it is assumed to be -0- and DGS can recall the vehicle as being "not in use."

A concern was a continuing understanding within AS that DGS-certified mechanics can be relied upon to know (and perform) all the required maintenance checks to be performed at each given mileage point. Prior audit evidence had demonstrated that this approach is not reliable for assuring that all appropriate maintenance is performed, either as required by DGS or by the manufacturer's recommendations (which include major maintenance that is not addressed by DGS's requirements). A review of current maintenance invoices found that the garages generally performed multi-point inspections, although the exact items checked are not always clearly delineated ("Multi-Point Inspection Performed"). In some cases it was difficult to determine if every check required by DGS was performed. In instances where additional work was done, it was usually described.

IA did a review of maintenance invoice completeness for each of the three divisions. Generally we found that staff had been submitting invoices to a central location (AS, CPED, and SED all maintain their own files), that management now has folders for each vehicle, and that each folder contains at least a few current maintenance invoices.

IA did a further review of the recent maintenance invoice records to determine if noted findings from the mechanics had been followed up on. We were only able to find a few instances of maintenance performed during the audit period where an additional finding was noted by the mechanic. For a single vehicle each for AS and CPED, no invoice was found for repairs that were recommended by the mechanic. SED had a few such vehicles and provided either invoices verifying the repair was subsequently performed, or documentation that the assigned driver had been instructed to take the vehicle in for repair.

We also reviewed the list of "high-risk" vehicles that IA noted during the follow-up audit (June 2016). There were two vehicles with pending repairs recommended as of the end of fieldwork of the follow-up engagement (both SED vehicles). SED provided invoices to verify that the major recommended repairs were subsequently performed.

We noted during testing that SED has an updated duty statement for the fleet liaison that includes specific and appropriate fleet management duties. We did not see a similar documented process in place in AS or CPED. When asked about coordination and sharing of best practices, it was noted by SED that there are not currently any regular meetings between the fleet coordinators of AS, SED, and CPED.

Findings:

- There is no process in place to ensure that when a driver brings in a vehicle (for service in a garage), that all DGS and manufacturer checks are being performed.
- SED has a documented process in place to track whether a vehicle is brought in for service promptly, but CPED and AS do not.
- There are no regular meetings between management and staff of the three divisions that maintain vehicles.

Recommendations:

- A process should be put into place to provide additional assurance that required checks (both DGS-required and manufacturer-recommended) are being performed whenever a state vehicle is brought in for service. For example, a checklist could be created for each make / model of vehicle, and distributed to drivers. The checklist would include all the DGS and manufacturer recommended checks for each mileage interval. This checklist would then be given to the mechanic and each item certified as having being completed. A copy of the list could then be submitted to fleet management along with the invoice as an additional check.
- There should be clearly defined roles and responsibilities for agency staff liaisons responsible for fleet management. A system should be put into place, including updated Duty Statements, for responsible staff to review and document compliance with DGS standards, best practices and IA recommendations.
- AS, CPED, and SED should hold periodic meetings to share information and best practices on fleet management.

## Analysis and Recommendations – Training

Part of the requirement for the use of state vehicles is to maintain a current Defensive Driver Training (DDT) certificate. The training is done online, and is valid for four years. Testing in the original follow-up audit showed improvements in the compliance of this requirement, which we tested further to verify that the improved process has been fully implemented.

The June 2016 DGS Business Services audit also noted our process was “not ensuring that employees who use their own vehicles to conduct state business complete and annually update a vehicle certification form. Policies and procedures are also not

ensuring that frequent drivers attend a defensive driver training course every four years. Further, CPUC has not been submitting an annual defensive driver training report to DGS."

The CPUC Training Office is now in compliance with the DDT requirement, through maintaining a master spreadsheet that tracks DDT completion by staff, and by having submitted required annual monitoring reports to DGS (for 2014 / 15 and 2015 / 16).

Each of the three divisions has its own tracking system. CPED maintains a list of employees with the date of the last DDT certification. AS prints the Training Office spreadsheet and provides a copy to the garage each month. The attendant is expected to review the spreadsheet whenever someone requests a pool vehicle. SED has a comprehensive approach for multiple certifications that amounts to an agency best practice. Each employee is listed on a spreadsheet along with the name of their supervisor. Those who use a private vehicle for state business are noted as needing a form STD 261, along with a renewal date (one year subsequent to their last renewal). Their DMV license renewal date is listed, along with the expiration date. Employees who store a state vehicle at home are listed as needing a form STD 377, along with a renewal date (one year subsequent to their last renewal). Finally, the spreadsheet shows the date of the employee's last DDT taken, along with the date a renewal is required (four years subsequent).

IA believes that all the information maintained by SED for its employees is useful and important, and that management for AS and CPED should also monitor expiration dates for relevant driver certifications. The monitoring procedure for the garage attendant is also a useful control measure worth maintaining,

Findings:

- None.

Recommendations:

- As a best practice, CPED and AS should adopt the spreadsheet system developed by SED to maintain records of all required driver training and private vehicle certifications.

## Analysis and Recommendations – Voyager Cards

Each CPUC vehicle, whether assigned or pool, includes a Voyager credit card. This is the means by which state employees can easily pay for essential charges. The program is managed by DGS.<sup>1</sup>

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<sup>1</sup> <http://www.dgs.ca.gov/ofam/Programs/StateFleetCard.aspx>

DGS maintains policies and procedures on the use of Voyager cards by state employees. For this engagement, the relevant requirement was, "Maintenance and repairs are prohibited except in emergency situations when necessary to get the driver safely home or to the business location." Prior audit evidence showed substantial use of the card for these non-emergency purposes, which contributed to vehicle record-keeping problems discussed in the prior audit reports.

In addition, the June 2016 DGS Business Services audit noted that the CPUC needed to "establish controls that would help prevent abusive fleet card practices." In the agency response, management noted a new policy that requires all employees who wish to drive a state vehicle to sign a certification stating that they understand the Voyager card rules (reproduced on the certification form), and that it had further "developed a spreadsheet to ensure all users have signed an agreement addressing compliance with usage policies and procedures and will be updated each year in April to coincide with renewal of fleet cards" (page 14). This would represent a first line of defense by educating the drivers as to proper fleet card usage, and documenting that understanding. Management also stated that a management representative conducts a review of monthly Voyager card invoices and follows up on any irregularity. This would represent a second line of defense.

In this engagement, we reviewed the charges made to the cards to ensure they were for authorized purposes (unleaded gasoline, car washes, fluids, or emergencies). We also reviewed management procedures to monitor and verify the working-level controls for these charges. Payment invoices for July-November 2016 were tested.

Most of the charges on the cards were appropriate, although ten basic maintenance charges (contrary to policy) were observed – nine for vehicles managed by AS, and one from ROSB. There were no instances of employee personal purchases on the invoices reviewed. AS also noted that the inappropriate maintenance charges included several from Jiffy Lube, which is no longer an approved vendor for state vehicles.

The procedure is for staff card charges for the DGS-leased vehicles to be given supervisory review within AS, while the two CPUC-owned vehicle Voyager invoices are reviewed by representatives of ROSB and GSRB. We noted that the GSRB invoices had hand-written notations showing explanations for unusual charges and a signature from the supervisor. Little time was required for GSRB to perform this procedure. The invoices from AS and ROSB did not have notations indicating such a review.

Signed certifications of the rules for Voyager card use were available for some, but not all employees who use the cards.

Findings:

- There are still a few Voyager card charges each month for maintenance purchases that are not authorized under DGS rules.
- Some staff are still taking vehicles to Jiffy Lube for service even though it is no longer an approved vendor.

- There is a strong second line of defense control for Voyager card charges in the GSRB unit within SED. However, we did not observe evidence of a similar supervisory review in the other units tested.

Recommendations:

- Fleet Services should require Voyager card certifications from all staff who wish to use a state vehicle, and coordinate with the relevant divisions to include the submission of the signed form in the same monitoring procedure as the other required certifications (e.g. DDT training, etc.).
- We recommend general adoption (as a best practice) of GSRB's procedure of a supervisory review manually noting exceptions to policy in Voyager card use, and following up with drivers who use the card inappropriately.
- Fleet Services and the relevant divisions should communicate with all staff using vehicles that Jiffy Lube is no longer an approved state vendor for maintenance.

## Analysis and Recommendations – Policies and Procedures

Prior audit evidence showed a lack of definition and clarity of the rules and guidelines for fleet management and use of vehicles by staff. Prior audit reports recommended that more specific policies and procedures be documented, communicated, and enforced. Documents outlining standards were submitted to IA as part of the second follow-up audit engagement. They were still in draft form, and mostly consisted of edited versions of the DGS manual.

In this engagement, separate documents were provided by AS, CPED, and SED. It was noted that these are still in draft form, and have not yet been approved by senior management.

Overall, we found the manuals to be comprehensive, and they provided a great deal of useful information to the reader. However, we did note that roles and responsibilities for assigned drivers could be more explicitly defined (see discussion in the Maintenance Tracking discussion above), and the manuals otherwise updated to reflect certain other recommendations in this report.

Findings:

- The Policies and Procedures Manuals are still in draft form, awaiting management approval.

Recommendations:

- Manuals should be updated to include recommendations made in this audit such as procedures for submitting invoices to the division representative Voyager card rules, roles and responsibilities for assigned drivers to maintain the vehicles

assigned to them, and a requirement to submit a Voyager card certification form.

- Manuals should then be approved by senior management, distributed, and their rules enforced.

## Appendix A – Management Response

State of California

### Memorandum

**Date:** April 24, 2017

**To:** Carl Danner, Chief

**California Public Utilities  
Commission  
Internal Audit Unit**

**From:** Timothy Sullivan, Executive Director



**Subject:** Third Motor Pool Audit Follow-up

The traditional premise for an audit follow-up is to use the initial findings and recommendations from the report and work on resolving the control weaknesses. In contrast, Internal Audits (IA) continues to introduce new findings and changed findings that make it difficult to develop a corrective action. IA's recommendations for the Second Follow-up were inventory, day tripping, high risk vehicles, invoice documentation, vehicle documentation, and policy and procedures. The Third Follow-up audit recommendations now concern maintenance tracking, training, Voyager Cards and policies and procedures. Although management always welcomes new suggestions, we do not think an ongoing audit is the proper instrument for making suggestions of actions not required by statute or rule from a control agency. Audit recommendations should remain the same unless there is a new audit.

The Administrative Service Division (AS), Safety Enforcement Division (SED) and Consumer Protection and Enforcement (CPED) have reviewed these additional findings and recommendations from the Third Motor Pool Follow-up Audit and have responded constructively. The following are responses to individual IA recommendations and a specific recommendation to improve the IA audit process.

#### **IA Recommendation: Maintenance Tracking**

A process should be put into place to provide additional assurance that required checks (both DGS-required and manufacturer-recommended) are being performed whenever a state vehicle is brought in for service. For example, a checklist could be created for each make / model of vehicle, and distributed to drivers. The checklist would include all the DGS and manufacturer recommended checks for each mileage interval. This checklist would then be given to the mechanic and each item certified as having being completed. A copy of the list could then be submitted to fleet management along with the invoice as an additional check.

There should be clearly defined roles and responsibilities for agency staff liaisons responsible for fleet management. A system should be put into place, including updated Duty Statements, for responsible staff to review and document compliance with DGS standards, best practices and IA recommendations.



AS, CPED, and SED should hold periodic meetings to share information and best practices on fleet management

**Management Response:** There is no need for CPUC to develop a plan to confirm vendors comply with the DGS OFA 35 requirements. That is one of the requirements between state approved vendors and DGS, with DGS charged with ensuring contract compliance. A CPUC checklist is duplicative (and arguably an interference with the contractual relationship with DGS and the vendor).

In addition, instituting a checklist would require verification and validation of repairs by the employee. This may require mechanical skills inconsistent with the driver's job. As a control agency, DGS has both the responsibility and the authority to enforce contract terms.

The last two recommendations listed above appear to direct how management should manage staff. Duty statements, pursuant to our personnel practices, for example, are updated annually. We believe that as stated this recommendation is not directly related to fleet safety.

Concerning the recommendation that AS, CPED and SED hold periodic meetings to share information regarding CPUC Fleet vehicles, we have no objection to this suggestion, but do not see it as an appropriate audit recommendation. There is already a strong relationship between SED, CPED and AS Fleet Services that assures all fleet related matters are communicated to relevant individuals as they occur. AS Fleet Services has been hosting trainings, per request of each division, to inform their designated fleet staff on policies and procedures.

#### **IA Recommendation: Training**

As a best practice, CPED and AS should adopt the spreadsheet system developed by SED to maintain records of all required driver training and private vehicle certifications.

**Management Response:** AS Fleet Services maintain master copies physically and on an Excel sheet on content server for all records. These records are updated and tracked accordingly per DGS regulations. Thus, the Commission complies with all record keeping standards. There is no DGS requirement that CPED and AS adopt the SED spreadsheet system. Whether this is a "best practice" should be determined by managers aware of their own operations.

#### **IA Recommendation: Voyager Cards**

Fleet Services should require Voyager card certifications from all staff who wish to use a state vehicle, and coordinate with the relevant divisions to include the submission of the signed form in the same monitoring procedure as the other required certifications (e.g. DDT training, etc.).

We recommend general adoption (as a best practice) of GSRB's procedure of a supervisory review manually noting exceptions to policy in Voyager card use and following up with drivers who use the card inappropriately.



Fleet Services and the relevant divisions should communicate with all staff using vehicles that Jiffy Lube is no longer an approved state vendor for maintenance.

**Management Response:** There are records that AS Fleet Services now maintains for all CPUC Staff that utilize state vehicles pertaining to Voyager Card user agreements as mandated by DGS. Unauthorized purchases identified on the Office of Fleet Asset Management Monthly Voyager Card spreadsheet are emailed to the individual to explain the need for it. There is no need to require all users to obtain Voyager Card certifications. Such a requirement would complicate occasional use and encourage the use of rental cars.

Please note that emergency maintenance purchases for the vehicles are allowed by DGS. If the individual misuses the card, they are warned by Fleet Services to not do it again. An email was sent to all drivers that Jiffy Lube is no longer an authorized state vendor. Jiffy Lube should not have taken the voyager card. Thus, this recommendation was met.

**IA Recommendation: Policies and Procedures**

Manuals should be updated to include recommendations made in this audit such as procedures for submitting invoices to the division representative Voyager card rules, roles and responsibilities for assigned drivers to maintain the vehicles assigned to them, and a requirement to submit a Voyager card certification form.

Manuals should then be approved by senior management, distributed, and their rules enforced. We continue to recommend that management develop, implement, and enforce written policies and procedures related to fleet management.

**Management Response:** AS Fleet Services has prepared and finalized a comprehensive policy that includes, but not limited to, the use of the voyager card. The policy and procedure manual will be posted on the intranet. Management's policies and procedures are used to follow required DGS policy. The CPUC is therefore in compliance with this recommendation. Voyager issues are addressed in a separate finding and discussed above.

**Staff Recommendation for the Internal Audit Process:**

We recommend that the Commission, to ensure the effectiveness of the audit process, do the following:

1. Verify that applicable State safety standards were followed.
2. Close out this audit and others based on the original findings, recommendations, and our compliance.
3. Establish a process outside of an audit to communicate suggestions to the Commission to improve.
4. Adopt an ongoing audit schedule for checking and reassessing compliance with State standards.

**IA responds to the comments received in the following manner:**

Overall, IA is very pleased with the progress made by management to address the major findings from the original and follow-up motor pool audits. However, we believe a response is necessary on certain points in the memo above.

**Scope:**

The current audit testing followed consistently from the prior audit findings and planned scope. Major findings were noted in the original audit report dated January 2015 that was found to not have been addressed in the follow-up audit report presented in June 2016. In response, a corrective action plan (CAP) was requested from management. The scope of the subsequent two follow-up audits directly follows the CAP, and the breakdown of the separate areas to be tested was spelled out in the June 2016 audit report. The testing in the subsequent engagements was only duplicative in the sense that some requirements were not completed in time for the second follow-up audit (policy and procedure manuals, accurate inventory), and were thus verified during the (current) third follow-up audit.

**Maintenance Tracking:**

Management proposes to rely on DGS-approved vendors to perform all required maintenance for the vehicles, without any further tracking or verification by agency staff. The referenced DGS OFA 35 requirements address routine maintenance items (to be performed every 6,000 miles) but do not include any other non-routine major maintenance requirements as described in the vehicles' owners' manuals. The latter is an important concern for the ongoing condition and safety of the vehicles, and these services should be tracked. As well, the OFA 35 form does not address particular requirements for hybrids, which would be found in the owners' manuals. Given the number of Toyota Priuses in our fleet, IA believes that any additional requirements for such vehicles should also be addressed. We also found that receipts received from DGS-approved vendors for these 6,000 mile checks sometimes contained only a summary statement that the checks had been performed, without any itemized confirmation. While this could be addressed in a number of ways, handing a mechanic the OFA 35 form and asking that everything on the list be performed would not be burdensome, nor would it require the driver to personally verify that each check was performed. A signature from the mechanic on a piece of paper would be sufficient.

If safety-related responsibilities are to be performed consistently by particular employees, we would expect to see them listed in duty statements as has already been done within SED. Management did not provide any explanation for proceeding otherwise. The recommendation for regular meetings was provided by SED, which we endorsed as a best practice given the disaggregation of duties for fleet management among three divisions, and audit evidence that such communications are not occurring.

**Voyager Cards:**

IA noted the policy expressed in the letter above. However, a review of Voyager card invoices for DGS-leased vehicle showed a number of unauthorized purchases, and no record of communication or follow-up with drivers was provided to the auditor. IA saw no evidence of review of the invoices by staff. If the

email sent to staff concerning Jiffy Lube could be provided to IA, we would consider this finding resolved.

On the question of certifications, this process is already in place and consists of reviewing and signing a single piece of paper. We are recommending that it be continued, and required before an employee checks out a vehicle (similar to the Defensive Driver Training requirement).

Finally, we would offer a few general observations. Management's stated concerns about addressing anything beyond compliance with state standards seem to relate to the scope of this follow-up effort, a question addressed above. As a general matter, Internal Audit's responsibilities go beyond compliance and do involve the effectiveness and efficiency of agency operations – including best practices. We think concerns to the contrary are misplaced here.

It also bears noting that the Commission specifically directed the completion of the second and third motor pool follow-up engagements, including that written reports be provided.

Finally, Internal Audit does communicate with management in a variety of manners, including personally and confidentially when appropriate, in management meetings when invited, through participation in agency-wide improvement efforts, through consulting assistance when asked, and through management letters that convey minor concerns or recommendations in some audits. We are also open to further avenues for communication, consultation and assistance where management would find it useful.